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China's Policies Toward the United States and the USSR: Short-Term Prospects

Special National Intelligence Estimate

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**CHINA'S POLICIES TOWARD THE
UNITED STATES AND THE USSR:
SHORT-TERM PROSPECTS**

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SCOPE NOTE

This Estimate examines recent shifts in China's policies toward the United States and the USSR. It focuses on the implications of these changes for the United States over the next several months.

KEY JUDGMENTS

A mix of factors—some of which have been debated in Beijing for several years—was behind the emergence over the past two years of policies that put some distance between Washington and Beijing and that opened the door to a reduction of tensions with the Soviet Union. Deng Xiaoping was attempting to establish a stable political environment for his successors and, we believe, wanted to remove foreign policy as a potentially contentious domestic issue. Longstanding Chinese skepticism about the value Washington placed on its China connection and about US intentions toward Taiwan was reinforced by a growing sense of nationalism about foreign issues in general. Beijing saw signs that Moscow, because of domestic economic difficulties and foreign burdens, was seriously interested in resuming a dialogue with China. Some Chinese argued that reducing tensions with the Soviets would enable China to devote more resources to the modernization effort. Finally, some in the leadership also believed that an excessively close identification of China's interests with those of the United States was undercutting China's credentials in the Third World.

This web of interlocking factors, in our view, has produced policy shifts that Beijing hopes will maximize its bargaining power with both the United States and the Soviet Union. It has not, however, altered Beijing's fundamental global balance sheet. The Chinese still regard the USSR as their main threat and the United States as the only viable counterweight to Soviet expansionism, in Asia and around the world. The Chinese also believe that continued access to US trade and technology are very important to their modernization goals. We believe Beijing's current tactics are intended in part to gain a stronger commitment of support from the United States. This objective has been frustrated by what they see as continuing US reluctance to make as clear as China would like that solid relations with Beijing are more

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important than maintaining a highly visible relationship with Taiwan authorities. This perception appears to persist in Beijing, despite repeated US reminders that the terms of the Taiwan Relations Act obligate the United States to a certain level of support to Taiwan.

We believe the key implications for the United States of these adjustments in Chinese policies are the apparent depth of Beijing's skepticism about US intentions toward China and its new willingness to play off its links with Washington against Moscow, and vice versa. The Chinese already have demonstrated to the United States that they are not afraid to deal independently and directly with the Soviet Union. Chinese perceptions of US attitudes toward China and Taiwan will, in our view, be a major influence on Beijing's foreign policies for the remainder of this year.

In our view, some important constraints create a floor beneath which the Chinese do not wish their relations with the United States to erode. China's bargaining power with the Soviet Union is derived from Beijing's relationship with Washington; by the same token, the Chinese recognize that their value to the United States comes from a common interest in halting Soviet expansionism. Moreover, China's development strategy is keyed to good relations with the United States, Japan, and Western Europe, thus setting some limits on any improvements in Sino-Soviet relations.

Even if the Sino-US relationship improves, we do not expect the Chinese to quickly abandon their efforts to reduce tensions with the Soviet Union. Any negotiations on the key security issues that have long divided the two countries will be protracted and contentious, but we cannot rule out the possibility of significant progress if the Soviets make major concessions or Sino-US relations remain unsettled.

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DISCUSSION

Striving for Maneuverability

1. Significant changes in China's foreign policy, especially toward the United States and the USSR, have emerged over the past two years. The key ingredients have been an attenuation of diplomatic and strategic relations with the United States, an attempt to reduce tensions with the Soviet Union, and a renewed emphasis on relations with the Third World. The Chinese have described these changes as tactical moves necessary to underscore the independence of their foreign policy, which some Chinese apparently believe is threatened by an excessively close relationship with Washington. We believe, in fact, that a mix of factors, some of which are closely related, went into the decision to put some distance between Beijing and Washington, and to resume a dialogue with Moscow. These factors were:

- A judgment that Moscow, because of increasing economic difficulties at home and growing burdens overseas, was prepared to seriously explore the possibility of reducing tensions with China and a desire to explore the possibility of obtaining from the USSR technological assistance in upgrading China's aging industrial plant and expanding mutually beneficial trade.
- A trend toward more conservative domestic policies and a desire to remove potentially contentious foreign policy issues that might complicate the succession prospects for Deng Xiaoping's heirs.
- China's adverse reaction to trends in US policy toward China and Taiwan, especially regarding arms sales to Taiwan and technology transfer to China, and the consequent conclusion that the United States was placing decreased value on China as a strategic partner.
- Concern that a widespread perception that China was too close to the United States was undercutting its credentials and influence in the Third World.

- A judgment that reduced tensions with the USSR would enable China to divert resources from the military to the modernization effort.

2. In our view, these considerations led the Chinese to begin adjusting their policies in ways they hoped would enhance their flexibility and leverage with both Washington and Moscow. The Chinese leaders hoped at the same time to reduce their vulnerability to charges of being too close to the United States at the sacrifice of their national interests. The domestic priorities of the Dengists—which include reducing the influence of the military, preparing the ground for a major party purge, and managing criticism of the social effects of China's opening to the West—also probably reinforced the leadership's inclination to pursue a more cautious foreign policy.

3. The extent to which domestic political imperatives have affected China's foreign policy course during the past two years is unclear. Foreign policy reviews over the last few years have occurred at a time when Deng's overriding concern has been to strengthen the political base of his handpicked successors and to promote his comprehensive reform program. We believe China's foreign policy direction over the coming months will continue to be influenced by the domestic political jockeying associated with Deng Xiaoping's attempts to ensure a stable political environment for his successors.

4. From the outset of Sino-US relations, there have been elements in the leadership who, citing widely held reservations about relying on a foreign power, have argued for a more independent, balanced course. We believe that skepticism about the benefits China will gain from its relations with the United States is a factor with which the leadership has had to reckon and that this factor becomes particularly important when the leadership perceives Sino-US relations to be strained. The Chinese repeatedly stress their sensitivity to what they perceive as affronts to their national dignity, and a highly nationalistic tone has marked their complaints about US policy on Taiwan. Moves

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during the past two years in the direction of a more balanced posture toward Moscow and Washington complemented other policy compromises such as tighter controls over Western influences on Chinese society.

5. When relations are strained, concessions by any leadership to the United States could become a political liability. We do not have reliable indications that policy toward the United States has been a major domestic political issue in which key leaders are trumpeting opposing views. Instead, [REDACTED]

[REDACTED] suggests that a consensus has emerged to adopt a cautious, skeptical approach toward both Washington and Moscow. We believe Deng's successors would seek to maintain the current consensus while consolidating their authority. Nonetheless, we cannot rule out the possibility that Deng's departure would create disarray in the policymaking establishment and that strains with the United States would be more difficult to manage. Although we believe there are no strong pro-Soviet elements in the leadership, pressures could build on Deng's successors to undertake a less inhibited approach toward Moscow if Sino-US relations remain troubled and the Soviets demonstrate increased flexibility.

6. Chinese attempts to insulate Sino-US trade and access to US technology from the vicissitudes of triangular politics would also suffer under these circumstances. While there have been some tensions in the trade sector over the past year, we believe these were due to Beijing's efforts to reduce the large deficit it had with the United States and to obtain access to the largest possible share of the lucrative US textile market. In our view, political difficulties have not so far significantly influenced Beijing's approach to these problems. Over the longer run, if the Chinese continue to perceive an unstable relationship with the United States, we expect political problems will begin to affect other sectors of the relationship. At the same time, of course, Beijing's current determination to enhance its access to US trade and technology provides the United States with some leverage in the political as well as the economic aspects of the relationship.

The Tactical Approach

7. [REDACTED]

8. US attitudes toward China, especially future actions toward Taiwan, will play a crucial role in determining the extent to which Beijing pursues these new policy directions. We believe the Chinese have no clear-cut, long-term expectations for their talks with the USSR. In fact, they clearly still consider the USSR the principal threat to China, and they have done nothing over the past two years to suggest they are likely to change that view. In any event, the conditions the Chinese have set for substantial progress in the talks—Soviet withdrawal of support for Vietnamese expansionism, removal of the Soviet military presence in Afghanistan, and a substantial drawdown of Soviet troops along the Chinese border—ensure lengthy negotiations, which we believe the Chinese will use to maximize their bargaining position with the United States.

9. The Chinese want to use the discussion with Moscow, in part, to try to influence US policy on important bilateral and other issues. If, for example, the Chinese conclude that the qualitative or quantitative levels of US arms provisions to Taiwan are inconsistent with the 17 August communique—and especially if it is done in a highly visible manner—we believe Beijing will increase the tempo of its contacts with Moscow. In short, we believe the Chinese will exploit continued talks with the Soviets to make it appear that the United States will pay a geopolitical price for not actively seeking improved Sino-US ties. The Chinese also are likely to seek to make the United States appear out of step with its allies on the China question and will continue to court broad support from the Third World, including criticism of US policies in various regions.

10. We believe, however, that there are important considerations that currently serve to constrain China's involvement in triangular politics. [REDACTED]

[REDACTED] indicates that the Chinese want to protect and enhance the bilateral Sino-US relationship. In our

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view, the Chinese also recognize that some sort of reasonably solid relationship with the United States is necessary if they are to have any significant leverage with the USSR. By the same token, Beijing's aspirations as a Third World leader fighting the "hegemonistic" activities of both superpowers would be seriously undercut by too quick a reconciliation with Moscow. On the other hand, the Chinese have demonstrated a desire to keep Washington guessing about the depth of any warming trend in Sino-Soviet relations.

tensions with any US leadership. Chinese officials over the years have been advised by leaders of both US parties that no US administration will guarantee a termination of arms sales to Taiwan. Beijing's flexibility on the issue has fluctuated over the years, in our view, depending on its perception of US attitudes and intentions toward the issue. When the Chinese have concluded that the United States was mindful of their sensitivities on Taiwan and moving toward their position—regardless of the pace—Beijing has been generally upbeat about the overall nature of the relationship. On the other hand, periods during which the Chinese perceived "backsliding" on Taiwan have been accompanied by stagnation or tensions in other aspects of the relationship.

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11. There are other important factors that add uncertainty to Beijing's future policies. The extent to which the USSR is prepared to propose significant concessions, for example, could affect the tempo of improvement in Sino-Soviet ties. Should the Soviets offer troop withdrawals, we believe the Chinese would respond favorably to the inevitable Soviet demands for counterconcessions, such as a Chinese troop pullback. Here, too, the degree to which the Chinese publicly portray them as a substantial move toward normalization of Sino-Soviet relations would, in our view, depend at least in part on the status of Sino-US relations at the time.

14. In the euphoric atmosphere that followed normalization of relations in 1978, the Chinese clearly believed that progress would be made in all aspects of the relationship in more or less equal fashion. While the Chinese almost certainly were not entirely satisfied with the letter of the normalization agreement—especially on the knotty question of US arms sales to Taiwan—their expectations for further progress were high, and in retrospect excessive. During 1981 and 1982, however, the Chinese undertook a series of foreign policy reviews that reflected, among other considerations, a judgment that the short-term prospects for accomplishing their goals toward the United States were waning.

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Chinese Attitudes Toward the United States

12. For more than a decade, there have been three fundamental considerations in China's US policy—Taiwan, the Soviet Union, and trade, including technology transfer. Chinese objectives in these key areas have been to obtain US recognition of Beijing's sovereignty over Taiwan and to induce the United States to end its military support to Taiwan, to establish a "strategic" relationship with the United States that would serve as a counterweight to the Soviet threat to China, and to utilize US technological expertise to support China's modernization effort.

13. For Beijing, US intentions toward Taiwan have always been the most important obstacle to the development of Sino-US relations. The emotionalism of Chinese attitudes about sovereignty cannot be overemphasized, and some Chinese leaders have always questioned US intentions regarding Taiwan. China's objectives regarding Taiwan, in fact, are bound to create

15. After several months of discussion, some of it apparently contentious, a leadership consensus on policy toward the United States—as well as the Soviet Union—began to emerge in 1982. Criticism of US policies in other parts of the world was stepped up.

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This approach reflected Chinese resentment over what they perceived as an attempt by the United States to offer a security relationship in exchange for Chinese acquiescence in US arms sales to Taiwan. At the same time, senior Chinese officials intensified their complaints to US officials and others about the US failure

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to honor earlier "commitments" to transfer technology to China. On the other hand, Chinese officials went out of their way to assure US officials and businessmen that trade should not be affected by the tensions in other aspects of the relationship.

16. The signing of the joint communique in August 1982 has not substantially altered Beijing's tactical approach to the United States. Despite the difficulties of the past two years, we believe China's long-term objectives in its US relationship remain basically unchanged from those described earlier in this Estimate. The Chinese have done nothing either with the United States or with the USSR that would close the door to a resumption of closer ties in the future. In fact, Huang Hua's statement to the Council of Foreign Relations in early October 1982 that China and the United States share "many things in common" in the international arena suggests to us that Beijing remains deeply interested in resuming—at some point—the strategic dialogue and that his remarks reflect some optimism about the long-term prospects for the relationship.

17. On the other hand, we believe the Chinese may be far less sanguine about any significant improvement in bilateral ties in the short run. The principal obstacle to a resumption of forward movement in the relationship, in our view, is Beijing's perception that the United States underestimates the importance to China of Taiwan. Indeed, Huang's contention at the private and influential Council of Foreign Relations that "some people" in the United States are seeking to use Taiwan to undermine Sino-US relations and that, as a result, the relationship could "go down the drain" is a clear reminder that the Taiwan issue remains the key irritant in bilateral relations.

18. Huang's remarks and other similar comments by top Chinese leaders over the past several months, in our view, also suggest that the Chinese believe there is some political advantage to implying that China can be "lost" again. Remarks such as Huang's, therefore, are designed to imply that the Chinese are prepared to restrict their approach to the USSR if the United States takes what Beijing regards as the proper steps in the Sino-US bilateral relationship. It also suggests, we believe, that the Chinese judge that there is a receptive audience to this suggestion in the United States.

19. Continuing Chinese protestations that the United States does not intend to live up to Beijing's interpretation of the August communique suggests to

us that the Chinese have not altered the conclusion

that the United States was determined to maintain its support to Taiwan. The Chinese want to be reassured about both the form and the substance of the US link with Taiwan. They have shown particular sensitivity to the "quality and quantity" provision in the communique, and have warned that they will watch carefully for a bona fide decline in US sales to Taiwan. Chinese leaders cite US unwillingness to specify a precise turning point for such reductions as demonstrating a lack of US sincerity toward fulfilling provisions of the August communique. At the same time, their concerns about US intentions mount when the United States displays public, official interest in Taiwan, especially in the military area.

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20. We believe that one of China's immediate objectives is to persuade the United States to reduce the publicity of its arms sales to Taiwan and of its overall links with Taiwan. Not only would this remove the need Beijing feels to react publicly, but it would diminish the opportunity for domestic critics to fuel anti-US fires in Beijing. In our view, another Chinese objective in the coming months is to engage the United States in ongoing consultations on arms sales, a move that would help the leadership, if it chose, to interpret any future sales in the best possible light for the domestic audience. Over the longer term, the Chinese almost certainly believe such consultations would enhance their ability to ensure diminishing sales.

The Constraints on China

21. There are important constraints on how far the Chinese want distancing from the United States to go. A sharp deterioration in Sino-US relations almost certainly would undercut China's relations with Japan and other Western countries, a prospect that Beijing clearly wishes to avoid. Chinese officials in the past have attempted to assure Japanese leaders that problems with Washington would not impair ties with Tokyo. Chinese leaders understand that China's ability to acquire high technology from Japan could be complicated by a serious downturn in Sino-US relations.

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22. Despite their public rhetoric about China's ability to deal "independently" with the Soviet threat, we believe most Chinese leaders still value the United States as the only real strategic counterweight to the USSR and are trying to establish a floor below which they do not want the US relationship to go. Clearly, the Chinese have reduced—to a more realistic level—their expectations about the degree to which the United States and China are likely to cooperate in any military sense against the USSR. Nonetheless, in our view they recognize that without some form of reasonably solid US relationship their flexibility to deal with the Soviet Union would be reduced sharply. Moreover, Beijing's position and influence in areas where US and Chinese interests coincide—such as Indochina and Afghanistan—would also be reduced.

23. Finally, we believe that the Chinese recognize that over time their access to US technology and markets would be adversely affected, despite Beijing's attempts to protect it, if the relationship is not put on a more solid footing. Imports of US high technology, especially in areas such as energy development and aircraft, are crucial to China's long-term modernization plans. Moreover, the United States—now China's third leading trade partner, after Hong Kong and Japan—will remain an important target market in China's long-term export planning. Even currently, the Chinese are deeply concerned that growing protectionist sentiments in the United States and the West will hamper their modernization effort by preventing them from earning the foreign exchange required to pay for their large capital import needs.

24. In the final analysis, however, we cannot rule out the possibility that a downward spiral in Sino-US relations will continue well past any floor that Beijing hopes to set for it. The US relationship with Taiwan, as well as Beijing's own growing contacts with Moscow, will make it difficult for China to stabilize what, from Beijing's viewpoint, is currently an unsettled relationship with the United States, and one that is politically charged at home.

Beijing's Approach to Moscow

25. Over the past decade, China's main foreign policy goal has been to construct political alignments and strategic counterweights against the Soviet Union. In Beijing's view, Moscow has been, and remains, an aggressively expansionist power which seeks to expand

its political and military influence as a "hegemonist" throughout the world. Countering Soviet designs while avoiding the kind of provocation that could bring a confrontational response from Moscow have set the limits on China's policy.

26. The Chinese see military power and military assistance as Moscow's main, if not sole, instruments of political influence in Asia. Moscow's efforts to translate respect for its power into influence and its provision of military aid to states around China's periphery have remained the focus of concern among Chinese leaders. It is for this reason that China has been most preoccupied with Soviet influence in Vietnam and the Soviet military presence in Afghanistan and Mongolia.

27. The sustained Soviet military buildup along the Sino-Soviet border obviously represents China's primary national security threat. Beijing has regarded this buildup since the mid-1960s as far beyond the needs for self-defense, as reason to hold overall Soviet motives in question, and as proof of Moscow's intentions to use the threat of military force for political ends. While the Chinese behave as if they do not expect the Soviets to mount an attack on China unless there is a severe provocation, we believe China's strategy and military modernization are proceeding on the assumption that Soviet capabilities will continue to improve—a trend that can only widen the gap between the quality of the two forces.

28. In addition to this growing sensitivity to the continuing Soviet effort to encircle China, militarily as well as through a worldwide political campaign, Beijing's policy toward the USSR in the 1970s also reflected the historical legacy of racial animosity, political differences, ideological conflict, and national resentment that had long animated Chinese perceptions of Russia and the USSR. As a global competitor with the USSR and as an Asian power with close ties to Japan, the United States played a central role in China's anti-Soviet security calculus.

29. We have a limited appreciation of how the Chinese assess the factors now shaping their Soviet policy.

guidance early in 1981 called for improving people-to-people ties with the USSR. The guidance apparently was based on a Chinese conclusion that the Soviets were being impelled by difficulties at home and abroad to seriously attempt some normalization in

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relations with China. The Chinese, in our view, also calculated that the Soviets' difficulties would allow China to compete with them politically by improving ties with some East European parties and pro-Soviet Western Communist parties and by striking a more independent posture toward the Third World. In short, the initial Chinese response to Soviet overtures for improved ties was couched in essentially competitive terms.

30. By January 1982, the Chinese had begun to view their relations with the Soviets from differing perspectives. The Chinese concluded, we believe, that their modernization effort required prolonged stability on their borders—an objective that has been evident in their initiatives to improve relations with North Korea, India, and the Southeast Asian countries—and that reduced tensions on the Sino-Soviet border would allow a diversion of resources from military to nonmilitary purposes. At the same time, those voices arguing that Sino-Soviet relations should be exploited for their practical benefits, such as technological assistance, apparently began to gain a more receptive hearing among top policymakers. We believe this occurred because the Chinese had begun to conclude that further economic retrenchment was necessary and that China would profit more from using all sources, including Soviet, for refitting its existing industrial base—much of it Soviet-built—than from seeking new plants and equipment solely from Japan and the West.

31. In our view, Beijing's primary concern about the future of Sino-US relations strongly influenced its calculations about policy toward Moscow. Knowing that the Soviet proposal in September 1981 to reopen border talks was timed to exploit Sino-US differences, Chinese officials deferred response, while informing the United States of the offer as a reminder that Beijing had other options. As Moscow pressed Beijing with new overtures, Beijing delayed resumption of political talks until after the August communique had eased the Sino-US crisis. This reduced the potential for negative effects on Sino-US relations and at the same time allowed Beijing to address Moscow from a strengthened position, enhancing prospects for exacting concessions.

32. China's behavior is similar to its conduct in 1979 when the Chinese delayed opening talks with the Soviets until after the visit of Vice President Mondale to Beijing in August had satisfied the leadership about

US intentions. Judging by this 1979 pattern, we believe Beijing hopes to make at least some progress during Secretary Shultz's visit before resuming contacts to explore improved ties with Moscow.

Looking Ahead

33. We believe that Beijing in the coming months will continue on a course with Moscow that will:

- Improve Chinese flexibility in the Soviet-Chinese-US triangle. The Chinese hope that dealing more positively with Moscow will increase China's short-term leverage with the United States; they are probably even more hopeful that it will work to their advantage over the longer run.
- Establish a permanent political channel to the USSR to probe Soviet positions on basic issues. We expect the Chinese to maintain pressure on all key issues—Soviet forces on their border and in Mongolia and the Soviet role in Afghanistan—but to give the Soviet-Vietnamese alliance priority treatment.
- Reduce tensions and improve access to whatever material benefits are available from expanded trade, economic, academic, and technological ties with the Soviets.
- Demonstrate that China is not intransigent in dealing with the Soviets. Beijing especially wants its image of coequality with Washington and Moscow to influence views of the Sino-Soviet relationship in Europe and the Third World.

34. Neither intelligence reporting nor official Chinese statements indicate that Beijing expects rapid progress toward a resolution of the basic issues. Beijing has also shown in talks so far that it will push Moscow to take the first step in dealing with Chinese security concerns. We believe, however, that the Chinese are prepared to strike some compromises with the Soviets on the military situation along the border.

If the Chinese made progress with the Soviets here, Beijing, in our view, would not require immediate, similar progress on Indochina and Afghanistan to keep the dialogue going. But we would expect the Chinese to keep pressing their case in these two areas. The

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Chinese have solid incentives to maintain a hard line on Afghanistan and to keep the Soviets' feet to the fire on Kampuchea.

35. Even if Beijing is flexible in dealing with Soviet proposals on the military situation—by agreeing to initially symbolic steps along their common border or in Mongolia, for example—we do not believe the Chinese will follow suit on the other key issues.

[redacted] official Chinese statements point out clearly that changes in the Soviet-Vietnamese relationship are a priority for China. The tactical benefits from this Chinese position are obvious—Hanoi's distrust of Moscow is already evident in its reaction to the Sino-Soviet talks. Moreover, China's proposals on Indochina, which were tabled at the first round of talks, directly serves ASEAN's interest in an independent and neutral Kampuchea. A less adamant stand against Vietnamese presence would, in the Chinese view, threaten to undermine ASEAN's consensus—backed by Beijing—on the need for a full Vietnamese withdrawal.

36. China does not expect the Soviets to negotiate seriously about their presence in Afghanistan. Beijing knows that the Soviets do not regard China's position as a decisive factor in the situation, that Moscow has demonstrated it is engaged in an extended anti-insurgency effort, and that China can use its opposition to the Soviet presence to good effect in its anti-hegemony effort in the Third World.

37. A failure to make progress on the basic issues will not prevent Beijing from seeking improvement in other aspects of relations with the Soviets, both for their own sake and to cushion the dialogue. Moscow, for example, is sure to push for an expansion of mutually beneficial economic and cultural ties. The Chinese are likely to be forthcoming on trade if Moscow offers to fill Chinese orders for raw materials and chemicals. The Soviets are willing to dispatch advisers to China as well as to make Soviet technology more available to China, but, except for the upgrading of portions of China's aging, Soviet-designed industrial plant, the political legacy of the 1950s and the more attractive opportunities for technology transfer from the West will place strict limits on how far China is willing to go.

38. In the last year or so, Beijing's renewed contacts with several pro-Soviet parties in Eastern and Western Europe, including the French Communists, have sent mixed signals. China's greater activity in the international movement appears to be motivated by a desire to increase competition with Moscow. It also reflects a general revival of China's desire to pursue an independent line abroad, and in selected areas—particularly in the Third World—to refurbish Chinese ideological credentials. The Chinese may flirt with Moscow's interest in party dealings, but we do not expect them to reciprocate soon.

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